UNITED STATES PATENT AND TRADEMARK OFFICE

APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/481,126	01/11/2000	Douglas R. Elliott	TEQ11117002	5216

			EXAMINER
32233	7590	02/10/2004	DASS, HARISH T

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ART UNIT	PAPER NUMBER
3628	

DATE MAILED: 02/10/2004

Please find below and/or attached an Office communication concerning this application or proceeding.

	Application No.	Applicant(s)
Offic Action Summary	09/481,126	ELLIOTT, DOUGLAS R.
	Examiner	Art Unit	
	Harish T Dass	3628	$\mathcal{MW}$

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE <u>3</u> MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.
- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

1)☒ Responsive to communication(s) filed on <u>30 September 2003</u>.

2a)☐ This action is **FINAL**.   2b)☒ This action is non-final.

3)☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

4)☒ Claim(s) <u>1-3</u> is/are pending in the application.

    4a) Of the above claim(s) _____ is/are withdrawn from consideration.

5)☐ Claim(s) _____ is/are allowed.

6)☒ Claim(s) <u>1-3</u> is/are rejected.

7)☐ Claim(s) _____ is/are objected to.

8)☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

9)☐ The specification is objected to by the Examiner.

10)☐ The drawing(s) filed on _____ is/are: a)☐ accepted or b)☐ objected to by the Examiner.

    Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).

    Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).

11)☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

12)☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).

    a)☐ All   b)☐ Some * c)☐ None of:

    1.☐ Certified copies of the priority documents have been received.

    2.☐ Certified copies of the priority documents have been received in Application No. _____.

    3.☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

    * See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

1)☒ Notice of References Cited (PTO-892)

2)☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)

3)☐ Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08) Paper No(s)/Mail Date _____.

4)☐ Interview Summary (PTO-413) Paper No(s)/Mail Date _____.

5)☐ Notice of Informal Patent Application (PTO-152)

6)☐ Other: _____.

Continued Examination Under 37 CFR 1.114

1.   A request for continued examination under 37 CFR 1.114, including the fee set

forth in 37 CFR 1.17(e), was filed in this application after final rejection. Since this

application is eligible for continued examination under 37 CFR 1.114, and the fee set

forth in 37 CFR 1.17(e) has been timely paid, the finality of the previous Office action

has been withdrawn pursuant to 37 CFR 1.114. Applicant's submission filed on

9/30/2003 has been entered.

DETAILED ACTION

Claim Rejections - 35 USC § 101

2.   35 U.S.C. 101 reads as follows:

> Whoever invents or discovers any new and useful process, machine, manufacture, or composition of
> matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the
> conditions and requirements of this title.

Claims 1-3 are rejected under 35 U.S.C. 101 because the claimed invention is directed

to non-statutory subject matter.

As an initial matter, the United States Constitution under Art. I, §8, cl. 8 gave

Congress the power to "[p]romote the progress of science and useful arts, by securing

for limited times to authors and inventors the exclusive right to their respective writings

and discoveries". In carrying out this power, Congress authorized under 35 U.S.C.

§101 a grant of a patent to "[w]hoever invents or discovers any new and useful process,

machine, manufacture, or composition or matter, or any new and useful improvement

thereof." Therefore, a fundamental premise is that a patent is a statutorily created

vehicle for Congress to confer an exclusive right to the inventors for "inventions" that

promote the progress of "science and the useful arts". The phrase "technological arts"

has been created and used by the courts to offer another view of the term "useful arts".

See In re Musgrave, 167 USPQ (BNA) 280 (CCPA 1970). Hence, the first test of

whether an invention is eligible for a patent is to determine if the invention is within the

"technological arts".

Further, despite the express language of §101, several judicially created

exceptions have been established to exclude certain subject matter as being patentable

subject matter covered by §101. These exceptions include "laws of nature", "natural

phenomena", and "abstract ideas". See Diamond v. Diehr, 450, U.S. 175, 185, 209

USPQ (BNA) 1, 7 (1981). However, courts have found that even if an invention

incorporates abstract ideas, such as mathematical algorithms, the invention may

nevertheless be statutory subject matter if the invention as a whole produces a "useful,

concrete and tangible result." See State Street Bank & Trust Co. v. Signature Financial

Group, Inc. 149 F.3d 1368, 1973, 47 USPQ2d (BNA) 1596 (Fed. Cir. 1998).

This "two prong" test was evident when the Court of Customs and Patent

Appeals (CCPA) decided an appeal from the Board of Patent Appeals and Interferences

(BPAI). See In re Toma, 197 USPQ (BNA) 852 (CCPA 1978). In Toma, the court held

that the recited mathematical algorithm did not render the claim as a whole non-

statutory using the Freeman-Walter-Abele test as applied to Gottschalk v. Benson, 409

U.S. 63, 175 USPQ (BNA) 673 (1972). Additionally, the court decided separately on the

issue of the "technological arts". The court developed a "technological arts" analysis:

The "technological" or "useful" arts inquiry must focus on whether the claimed

subject matter...is statutory, not on whether the product of the claimed subject

matter...is statutory, not on whether the prior art which the claimed subject matter

purports to replace...is statutory, and not on whether the claimed subject matter is

presently perceived to be an improvement over the prior art, e.g., whether it "enhances"

the operation of a machine. In re Toma at 857.

In Toma, the claimed invention was a computer program for translating a source

human language (e.g., Russian) into a target human language (e.g., English). The

court found that the claimed computer implemented process was within the

"technological art" because the claimed invention was an operation being performed by

a computer within a computer.

The decision in State Street Bank & Trust Co. v. Signature Financial Group, Inc.

never addressed this prong of the test. In State Street Bank & Trust Co., the court

found that the "mathematical exception" using the Freeman-Walter-Abele test has little,

if any, application to determining the presence of statutory subject matter but rather,

statutory subject matter should be based on whether the operation produces a "useful,

concrete and tangible result". See State Street Bank & Trust Co. at 1374. Furthermore,

the court found that there was no "business method exception" since the court decisions

that purported to create such exceptions were based on novelty or lack of enablement

issues and not on statutory grounds. Therefore, the court held that "[w]hether the

patent's claims are too broad to be patentable is not to be judged under °101, but rather

under §§102, 103 and 112." See State Street Bank & Trust Co. at 1377. Both of these

analysis goes towards whether the claimed invention is non-statutory because of the

presence of an abstract idea. Indeed, State Street abolished the Freeman-Walter-Abele

test used in Toma. However, State Street never addressed the second part of the

analysis, i.e., the "technological arts" test established in Toma because the invention in

State Street (i.e., a computerized system for determining the year-end income,

expense, and capital gain or loss for the portfolio) was already determined to be within

the technological arts under the Toma test. This dichotomy has been recently

acknowledged by the Board of Patent Appeals and Interferences (BPAI) in affirming a

§101 rejection finding the claimed invention to be non-statutory. See Ex parte Bowman,

61 USPQ2d (BNA) 1669 (BdPatApp&Int 2001).

In the present application, Claims 1-3 have no connection to the technological

arts. None of the steps indicate any connection to a computer or technology.

Therefore, the claims are directed towards non-statutory subject matter. To overcome

this rejection the Examiner recommends that Applicant amend the claims to better

clarify which of the steps are being performed within the technological arts; for example:

"computer is used to calculate average ..."

Claim Rejections - 35 USC § 103

3.   The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all

obviousness rejections set forth in this Office action:

> (a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

Claims 1-3 are rejected under 35 U.S.C. 103(a) as being unpatentable over Champion

et al (hereinafter Champion – US 5,126,936) in view of Risen, Jr. et al (Hereinafter

Risen: US 6,018,714) and Donner (US 5,999,907).

Re. Claim 1, Champion discloses a) defining a plurality of investor accounts in at least

one database [Champion see entire document particularly, Fig. 2; Abstract; C1 L5 to C3

L55; C5 L64 to C6 L11], (b) obtaining an initial monetary amount from each of a plurality

of investors [C4 L66 to C5 L18], (c) associating said initial amount from each of said

plurality of investors with a respective one of said plurality of investor accounts in the at

least one database [Champion-Figures 6, 7a-7B; C1 L5 to C3 L55; C5 L64 to C6 L11;

C8 L13-L22], (d) identifying the initial ownership of a patent (owner of mutual fund) in

the at least one database [Champion – Fig.], (e) using at least one algorithm for

assessing the value of the patent (fund), and entering the assessed value of the patent

in at least one database [Champion -C10 L29-L67], and (h) allocating said at least one

payment from said initial user ownership to such respective one of said plurality of

investor accounts in the at least one database [Champion – C4 L1-L28]. Champion,

explicitly, does not disclose assessing the value of the patent, (f) paying a monetary

amount (provide compensation) to said initial ownership of said patent upon the transfer

of title (transfer of ownership) to said patent to a subsequent owner other than the

plurality of investors, (g) obtaining at least one payment (partial) from an initial user of

said patent. However, Risen discloses (f) paying a monetary amount (provide

compensation) to said initial ownership of said patent upon the transfer of title (transfer

of ownership) to said patent to a subsequent owner other than the plurality of investors,

(g) obtaining at least one payment (partial) from an initial user of said patent [Risen- see

entire document particularly, Abstract; C2 L48 to C3 L16; C8 L44 to C9 L43; C26 L12-

L33]. Donner discloses evaluation of intellectual property (assessing the value of the

patent) [Abstract; C1 L5 to C3 L61]. It would have been obvious at the time the

invention was made to a person having ordinary skill in the art to modify the disclosure

of Champion, and include evaluation and transfer of ownership of financial asset (such

as intellectual property) to new owner and payments, as taught by Risen and Donner, to

properly assigning a monetary value and assessment to intellectual property (patent),

transfer of rights, and payment of appropriate compensation for buying the asset

(patent).

Re. Claim 2, Champion discloses (g) associating with each respective one of said

plurality of investor accounts in the at least one database the proportion of the amount

paid to the initial owner that came from each respective one of said plurality of investor

accounts [Champion-Figures 6, 7a-7B; C1 L5 to C3 L55; C5 L64 to C6 L11; C8 L13-

L22], j) using at least one algorithm for allocating to each respective one of said plurality

of investor accounts in the at least one database a portion of said at least one payment

from said initial user representing the proportion of the payment to transfer title

associated with each respective one of said plurality of investor accounts [Champion –

Figures 5-7B; C4 L1-L28; C10 L29-L67]. Champion, explicitly, does not disclose (a)

identify a patent covering an invention in use by at least an initial user and (b) identifying

the initial ownership of the patent, and (c) using at least one algorithm for assessing the value of the patent based, at least in part, on the anticipated future use of the -patent by the initial user and entering the assessed value of the patent in at least one database, and (d) using at least one algorithm (procedure) for determining a cash flow stream containing at least one payment related to the assessed value of the patent, and (e) paying in at least one payment to said initial ownership an amount related to the assessed value of the patent in the database in exchange for transfer of the title to said patent to a subsequent owner, and (f) obtaining the amount paid for transfer of title from a plurality of investor accounts, (h) granting a license to said initial user for the use of said patent from said subsequent owner in exchange for an agreement by said initial user to make at least one payment at a specified time after the payment is made to transfer title, (i) collecting at least one payment from said initial user within a specified time after said payment to transfer title, said payment being entered into the at least one database. However, Risen discloses (a) identify a patent covering an invention in use by at least an initial user and (b) identifying the initial ownership of the patent [Risen - C27 L25-L30], and (e) paying in at least one payment to said initial ownership an amount related to the assessed value of the patent in the database in exchange for transfer of the title to said patent to a subsequent owner, and (f) obtaining the amount paid for transfer of title from a plurality of investor accounts [Risen- C2 L48 to C3 L16; C8 L44 to C9 L43; C26 L12-L33], (h) granting a license to said initial user for the use of said patent from said subsequent owner in exchange for an agreement by said initial user to make at least one payment at a specified time after the payment is made to transfer title

[Risen - C8 L64], (i) collecting at least one payment from said initial user within a specified time after said payment to transfer title, said payment being entered into the at least one database [Risen- see entire document particularly, Abstract; C2 L48 to C3 L16; C8 L44 to C9 L43; C26 L12-L33]. Further, Donner discloses (c) using at least one algorithm for assessing the value of the patent based, at least in part, on the anticipated future use of the -patent by the initial user and entering the assessed value of the patent in at least one database, and (d) using at least one algorithm (procedure) for determining a cash flow stream containing at least one payment related to the assessed value of the patent [Donner – Abstract; Fig. 1-2; C1 L5 to C3 61]. It would have been obvious at the time the invention was made to a person having ordinary skill in the art to modify the disclosure of Champion, and include evaluation and transfer of ownership of financial asset (such as intellectual property) to new owner and payments and accounting procedure for portfolios (fund), as taught by Risen and Donner, to properly assigning a monetary value and assessment to intellectual property (patent), transfer of rights, and payment of appropriate compensation for buying the asset (patent). Additionally, It is known that mathematically, a portion of a payment is proportional of a payment and if the total payment is divided to number of equal payments, than it is a proportional payment (payment = total due/number of payments).

Re. Claim 3, Champion discloses (c) using at least one algorithm for assessing the value of the patent and entering the assessed value of the patent in at least one database [Champion -C10 L29-L67], (e 1) allocating said payment to the original

ownership to a plurality of investor accounts in the at least one database [Champion –

C4 L1-L28], (e2) associating with each account in the at least one database the

percentage payment (units) for each respective one of the investor accounts

[Champion-Figures 1, 6, 7a-7B; C1 L5 to C3 L55; C5 L64 to C6 L11; C8 L13-L22], (h)

allocating said at least one payment from said original ownership from said future cash

flow stream related to the assessed value of the patent to each respective one of said

investor accounts in the at least one database [Champion – C4 L1-L28]. Champion,

explicitly, does not disclose (a) identifying a patent, and (b) identifying the original

ownership of the patent, (f) granting a license to the original ownership to use the patent

in exchange for the ownership's agreement to pay the future cash flow stream related to

the assessed value of the patent, (d) using at least one algorithm (procedure) for

determining a future cash flow stream related to the assessed value of the patent before

the time the title to the patent is acquired from the original ownership, (g) collecting at

least one payment from said original ownership from said future cash flow stream

related to the assessed value of the patent, and obtaining title to the patent in exchange

for paying not more than the assessed value of the patent to the original ownership.

However, Risen discloses (a) identifying a patent, and (b) identifying the original

ownership of the patent [Risen - C27 L25-L30], (f) granting a license to the original

ownership to use the patent in exchange for the ownership's agreement to pay the

future cash flow stream related to the assessed value of the patent [Risen - C8 L64].

Further, Donner discloses (d) using at least one algorithm (procedure) for determining a

future cash flow stream related to the assessed value of the patent before the time the

title to the patent is acquired from the original ownership [Donner – Abstract; Fig. 1-2;

C1 L5 to C3 61], (g) collecting at least one payment from said original ownership from

said future cash flow stream related to the assessed value of the patent [Donner –

Abstract; Fig. 1-2; C1 L5 to C3 61]. Additionally, (e) obtaining title to the patent in

exchange for paying not more than the assessed value of the patent to the original

ownership, is a business choice by the individual. It would have been obvious at the

time the invention was made to a person having ordinary skill in the art to modify the

disclosure of Champion, and include evaluation and transfer of ownership of financial

asset (such as intellectual property) to new owner and payments and accounting

procedure for portfolios (fund), as taught by Risen and Donner, to properly assigning a

monetary value (cash, fair market value, etc.) and assessment to intellectual property

(patent), transfer of rights, and purchasing at lesser value to make a profit. It is known

that when an individual purchases a security, before committing to purchase the

security he/she evaluates the security (business) future value and compares to current

asking price. If he/she thinks to bargain on price and pay not more than his evaluation it

is his/her choice.

Response to Arguments

4.   Applicant's arguments with respect to claims 1-3 have been considered but are

moot in view of the new ground(s) of rejection.

In response to Applicant's argument of prior art "Valuation of Intellectual Property Assets" by Zareer Pavri of Price Waterhouse Coopers, this paper was originally published in 1996. A copy is included.

In response to applicant's argument that Tarter is nonanalogous art, it has been held that a prior art reference must either be in the field of applicant's endeavor or, if not, then be reasonably pertinent to the particular problem with which the applicant was concerned, in order to be relied upon as a basis for rejection of the claimed invention. See In re Oetiker, 977 F.2d 1443, 24 USPQ2d 1443 (Fed. Cir. 1992). In this case, it shows that a computerized accounting system with database capable of processing accounts, securitization using an algorithm to manipulate the accounting process.

Conclusion

The prior art made of record and not relied upon is considered pertinent to applicant's disclosure. Applicant is required under 37 CFR ' 1.111 (c) to consider the references fully when responding to this action.

Periodical, Trust Letter "SEC proposes money market fund rule revisions", Washington: Feb 1997. , Iss. 375; pg. 17, 1 pgs. This document discloses the Securities and Exchange Commission (SEC) adopted amendments to its Rule 2a-7 to tighten the risk-limiting conditions on taxexempt money market funds and to address the treatment of asset-backed securities and certain other instruments. The Commission is now proposing technical amendments to Rule 2a-7 and revisions to the money market fund advertising rules.

*Wall Street Journal, (Eastern edition), "New Securities Issues" New York, N.Y.: Oct 1,
1992. pg. PAGEC.1, discloses asset-backed commercial papers, Class A-1 & A-2.*

*Charles A. Jaffe, "Mutual Funds Make An Instant Portfolio", The Morning Call. Morning
Call. Allentown, Pa.: Dec 2, 1990. pg. This web page discloses Money market mutual funds --
generally called "money market funds" or "money funds" --invest only in short-term securities
such as certificates of deposits, short-term loans to financially strong corporations and U.S.
Treasury bills. The net asset value of these funds remains constant at $1 per share; a $100
investment buys 100 shares. Those shares earn a variable rate of interest based on the return
the fund gets from its investments.*

*US 6,301,574 to Thomas et al "System For Providing Business Information" discloses an
apparatus, method and data structure for providing business information, including outsourcing
information, to assist businesses in meeting their needs for providing and obtaining a variety of
services. More particularly, the invention relates to an apparatus, method and data structure for
facilitating communications between contractors and outsourcing companies that include
marketing and search mechanisms, bid management, contractor and outsourcing company
assessment, and other various features including venture capital market.*

*US 3,693,409 to Young et al "Computer method and apparatus for optimizing portfolios
of multiple participants" systems and methods include using at least one computer system for
storing digital data representing portfolio holdings of multiple parties and, in particular, for each
participant storing in the computer memory data representing constraints with respect to the
desired portfolio. The method and system comprise optimizing using optimization engine
portfolio and constraint information of multiple participants so as to generate a set of trades that
would substantially optimize participants' portfolios with respect to a known objective.*

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Harish T Dass whose telephone number is 703-305-4694. The examiner can normally be reached on 8:00 AM to 4:50 PM.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Hyung S Sough can be reached on 703-308-0505. The fax phone number for the organization where this application or proceeding is assigned is 703-872-9306.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see http://pair-direct.uspto.gov. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).

Harish T Dass   H 7 D
Examiner
Art Unit 3628

2/5/04

HYUNG SOUGH
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